

## **Attachment 7: Federal Employees' Compensation Act (FECA) Guidance**

### **Background**

The FECA is administered by the Department of Labor (DOL), Office of Workers' Compensation Programs (OWCP). The 12 OWCP district offices adjudicate the claims and pay benefits, and the costs of those benefits are charged back to the employing agency.

The rules applicable to filing, processing, and paying FECA claims are set forth under 20 CFR Part 10.

The OWCP issued publication CA-810, Injury Compensation for Federal Employees, "A Handbook for Employing Agency Personnel" to help agencies as they assist their injured employees and manage their program costs.

The Department of Defense (DoD), under the authority of DoD Directive 1400.25, reissued the "Department of Defense Civilian Personnel Manual (CPM)." The CPM implements policy, establishes uniform DoD-wide procedures, provides guidelines and model programs, delegates authority, and assigns responsibilities regarding civilian personnel management within the DoD. The CPM, Subchapter 810, provides DoD-wide policy and guidance regarding Injury Compensation. See website [www.cpms.osd.mil/icuc/icuc.htm](http://www.cpms.osd.mil/icuc/icuc.htm) for links to FECA guidance. Additional information may also be found in the DoD Financial Management Regulation, DoD 7000-14R, Volume 3, Chapter 8, and Volume 6B, Chapter 10.

### **PART 1 – FECA ACTUARIAL INFORMATION**

#### **Annual Action Required to the Other Actuarial Liability and Expense Accounts**

The FECA actuarial liability includes the expected liability for death, disability, medical, and other approved costs. It is estimated using the paid-loss extrapolation method. This method uses historical benefit payment patterns related to a specific incurred period to predict the entire payments related to that period. The payments are discounted to present value.

The DOL sends each Department the actuarial liability estimates for future workers' compensation benefits amounts for both the current and prior years. The current year figure is what the new balance in the Actuarial FECA Liability Account (2650 Public) should be after the source data (DOL information) journal voucher entry is completed by the entity. This entry represents a change in accounting estimate, and is strictly proprietary, as actuarial liabilities are unfunded. The expense is determined by comparing the current-year amount to the prior-year amount. The DOL cannot provide source data below the Department level (Department of Army, Department of Navy, Department of Air Force, DoD – Other). The Agency Wide AFS Directorate point of contact will provide each Site with a spreadsheet allocating those amounts to the entity level using a 3-year average for the last three annual chargeback bills.

**Journal Voucher Entry to recognize the change in Unfunded FECA Actuarial Liability. Note that this entry is made at FISCAL-YEAR-END only, and there is no budgetary impact:**

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Dr. 7600N	CHANGE IN ACTUARIAL LIABILITY (UNFUNDED)
Cr. 2650N	ACTUARIAL FECA LIABILITY
<i>To record an <b>increase</b> in FECA actuarial liability</i>	

**OR**

Dr. 2650N	ACTUARIAL FECA LIABILITY
Cr. 7600N	CHANGE IN ACTUARIAL LIABILITY (UNFUNDED)
<i>To record an <b>decrease</b> in FECA actuarial liability</i>	

*Note: The USSGL account 7600 normal balances may be either debit or credit to reflect the amount of increase or decrease in actuarial liability. For DDRS purposes, account 7600 is presented as a debit.*

### Journal Voucher Entry Support

The following support must be included with the Actuarial Liability entry:

1. The DOL Memorandum for Chief Financial Officers of Executive Departments and Agencies, which contains the actuarial balances.
2. Agency Wide AFS Directorate allocation spreadsheet reflecting the percentage allocation to the entity level.
3. A copy of the last three annual chargeback bills for the department level.

### **PART 2 – FECA LIABILITY**

Workers' Compensation claims are submitted to, and approved by, the DOL. DOL pays the claim holders. DOL then prepares a chargeback billing to the responsible Agencies. Public Law (PL) 93-416, Section 8147 (the FECA law) essentially gives Agencies 2 years to pay the chargeback bill; thereby allowing time for the applicable amount to be included in budget submissions. Therefore, there should be an unfunded liability in the AFS for these 2 years (bills are for periods July 01 – June 30), plus an accrual for the 4<sup>th</sup> quarter of the current FY. This amount must be split into a current portion for the amount to be paid in the next FY and a non-current portion for the remaining amount. Pursuant to the FECA law, once funding is received the FECA bill should be paid within 30 days. If DoD still has amounts outstanding after this 30-day period, these amounts are delinquent and should be reflected as a funded liability with a footnote disclosure.

*Note: Account 6850 – Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated) shall be used in place of Account 6800 – Future Funded Expenses.*

**Example of Calculating the FECA liabilities and FECA expenses for FY 2005 (example is for full year – adjust accordingly for interim quarters):**

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Actuarial FECA Liability balance at FYE 2004	210,000,000
Actuarial FECA Liability at FYE 2005	205,000,000
Change in Actuarial Liability	*(5,000,000)
*FYE Entry Only	
Annual FECA Chargeback Bill for 7/1/02 – 6/30/03 (paid FY05)	(15,000,000)
Annual FECA Chargeback Bill for 7/1/03 – 6/30/04 (due FY06)	18,000,000
Annual FECA Chargeback Bill for 7/1/04 – 6/30/05 (due FY07)	20,000,000
Quarterly FECA Chargeback Report for 7/1/05 – 9/30/05	3,000,000
<b>UNFUNDED FECA LIABILITY FOR FY 2005</b>	<b>41,000,000</b>
Less: Unfunded FECA liability for FY 2004 (from 2004 AFS)	(37,000,000)
<b>Change in FY 2005 UNFUNDED FECA LIABILITY</b>	<b>4,000,000</b>
Annual FECA Chargeback Bill for 7/1/04 – 6/30/05	20,000,000
Less: Quarterly FECA Chargeback Report for 7/1/04 – 9/30/04	(4,000,000)
Add: Quarterly FECA Chargeback Report for 7/1/05 – 9/30/05	3,000,000
<b>FY 2005 TOTAL FECA EXPENSE</b>	<b>19,000,000</b>

***JOURNAL ENTRIES TO RECOGNIZE FUNDED FECA FOR ANY AMOUNTS UNPAID AFTER FUNDING HAS BEEN RECEIVED:***

Debit/ Credit	USSGL Account/ Partner/Attributes	Account Title	Amount
Dr.	2225F(16) FECA	Unfunded FECA Liability	15,000,000
Cr.	2215F(16) FECA	Other Post-Employment Benefits Due and Payable	15,000,000
Dr.	6400F(16) FECA	Benefit Expense	15,000,000
Cr.	6850F(16) FECA	Employer Contributions to Employee Benefit Programs Not Requiring Current Year Budget Authority (Unobligated)	15,000,000
Dr.	3107	Unexpended Appropriations - Used	15,000,000
Cr.	5700	Expended Appropriations	15,000,000
Dr.	4610	Allotments – Realized Resources	15,000,000
Cr.	4901	Delivered Orders – Obligations, Unpaid	15,000,000

***ENTRY TO RECORD PAYMENT TO DOL FOR ANNUAL FECA CHARGEBACK 7/1/02 – 6/30/03 (ASSUMES PAYMENT IN FULL):***

Debit/ Credit	USSGL Account/ Partner/Attributes	Account Title	Amount
Dr.	2215F(16) FECA	Other Post-Employment Benefits Due and Payable	15,000,000
Cr.	1010	Fund Balance With Treasury	15,000,000
Dr.	4901	Delivered Orders – Obligations Unpaid	15,000,000
Cr.	4902	Delivered Orders – Obligations Paid	15,000,000

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<i>ENTRY TO RECORD ACCRUED FECA EXPENSE:</i>			
Dr.	6850F(16) FECA	Employer Contributions to Employee Benefit Programs Not Requiring Current Year Budget Authority (Unobligated)	19,000,000
Cr.	2225F(16) FECA	Unfunded FECA Liability	19,000,000

### ***TRIAL BALANCE EFFECTS – DR/(CR):***

	<b>Beginning 10/1/04</b>	<b>Pre-closing 9/30/05</b>
4610 Allotments – Resources Realized		15,000,000
4902 Delivered Orders, Obligations, Paid		(15,000,000)
2225F(16) FECA – Unfunded FECA Liability	(37,000,000)	(41,000,000)
2650N – Actuarial FECA Liability	(210,000,000)	(205,000,000)
3310 – Cumulative Results of Operations	37,000,000	37,000,000
5700 – Expended Appropriations		(15,000,000)
6400F(16) FECA – Benefit Expense		15,000,000
6850F(16) FECA – Employer Contributions to Employee Benefit Programs Not Requiring Current-Year Budget Authority (Unobligated)		4,000,000
7600N - Change in Actuarial Liability (Unfunded)		*(5,000,000)

\*Displayed in the trial balance as a negative debit balance

### **Journal Entry Support**

The following will be retained in support of entries above:

1. A copy of the Annual FECA SF1080 Bill for July 1, 2002 – June 30, 2003
2. A copy of the Annual FECA SF1080 Bill for July 1, 2003 – June 30, 2004
3. A copy of the Annual FECA SF1080 Bill for July 1, 2004 – June 30, 2005
4. A copy of the Quarterly FECA Chargeback Report for July 1, 2004 – September 30, 2004
5. A copy of the Quarterly FECA Chargeback Report for July 1, 2005 – September 30, 2005

### **For Interim Reporting**

The quarterly chargeback report from DOL will be used to accrue proper amounts for each period. The quarterly chargeback reports from DOL are cumulative through each quarter reported and the fourth quarterly chargeback report from DOL will match the annual FECA chargeback bill.

For any questions on any of the above processes or to request additional information please contact Matthew Cox at 317-510-7836 or [matthew.cox@dfas.mil](mailto:matthew.cox@dfas.mil).